

obligations nor render its assets insufficient to meet anticipated expenses or liabilities.

#### **KeySpan Corporation, et al. (70–10123)**

KeySpan Corporation (“KeySpan”), a registered holding company under the Act, and KeySpan Energy Management LLC (“KEM”),<sup>3</sup> an indirect, nonutility subsidiary (collectively, “Applicants”), both located at 201 Old Country Road, Suite 300, Melville, New York 11747, have filed an application/declaration (“Application”) under sections 9(a) and 10 of the Act seeking authorization for KEM to acquire all of the issued and outstanding securities of Metro Energy LLC (“Metro Energy”), a nonaffiliated New York limited liability company (“Transaction”).

#### **I. Parties**

##### **A. KEM**

KEM is a nonutility engaged in the service, installation, and construction of power supply and HVAC systems, including burners and boilers for heating purposes. It operates and maintains power supply, heating, ventilation and air conditioning systems, including burners and boilers for heating purposes. KEM serves large commercial, industrial and institutional customers throughout the Northeast, and may become involved in the development, ownership, construction, financing, operation and maintenance of thermal energy facilities, including central steam and chilled water facilities.<sup>4</sup>

##### **B. Metro Energy**

Metro Energy is an unaffiliated New York limited liability company in the business of developing, operating and maintaining thermal energy systems in the New York metropolitan area. Through certain loans made to Metro Energy by KEM in the aggregate principal amount of \$11,715,161.82, plus 8.38% interest per annum, KEM financed the construction of a central heating and cooling facility owned, operated, and maintained by Metro Energy at a hotel in the New York metropolitan area. This prior financing relationship between KEM and Metro Energy does not constitute a variable

interest arrangement as determined under the Financial Accounting Standards Board, Interpretation No. 46 (Consolidation of Variable Interest Entities). Metro Energy’s business activities involve the types of energy-related activities enumerated in rule 58(b)(1)(vi).

#### **II. The Transaction**

KEM proposes to acquire all of the issued and outstanding membership interests of Metro Energy. Upon consummation of the acquisition, Metro Energy will become a direct, wholly-owned subsidiary of KEM. KEM will acquire Metro Energy in a cash transaction for the purchase price of approximately \$600,000 payable in three installments within a one year period, plus the conversion of the outstanding debt owed to KEM by Metro Energy, including principal and interest amounting to approximately \$13,785,763, in goodwill. The purpose of the Transaction is to provide KEM with the benefit of revenues currently generated by Metro Energy in furtherance of KeySpan’s operations as a diversified and integrated gas and electric public-utility system.

#### **CenterPoint Energy, Inc., et al. (70–10162)**

CenterPoint Energy, Inc. (“CenterPoint”), a registered holding company, located at 1111 Louisiana, Houston, Texas 77002; and Utility Holding, LLC (“Holding”), a direct, wholly-owned registered holding company subsidiary of CenterPoint located at 200 West Ninth Street Plaza, Suite 411, Wilmington, Delaware 19801 (collectively, the “Applicants”) have filed an application/declaration (the “Application”) under sections 6, 7, 9, 10, 12, and 13 under the Act and rules 88, 90 and 91 under the Act.

#### **I. Prior Authorizations**

By order dated July 5, 2002 (Holding Company Act Release No. 27584) (the “July Order”) the Commission authorized the formation of CenterPoint as a new registered holding company, and the distribution to shareholders of the remaining common stock of Reliant Resources, Inc. (the “Distribution”). The formation of CenterPoint and the Distribution were part of a plan adopted in 2000 for the restructuring of Reliant Energy, Incorporated under the requirements of the Texas electric restructuring legislation adopted in 1999. The Distribution, which was made on September 30, 2002, completed the separation from CenterPoint of the merchant power generation and energy trading and marketing business of

Reliant Resources, Inc. Since CenterPoint expected to qualify for an exemption from registration under the Act within a year of the July Order, CenterPoint did not intend to form a service company following the restructuring. Instead, the July Order authorized CenterPoint to provide a variety of services to its subsidiaries on an interim basis, including accounting, rates and regulation, internal auditing, strategic planning, external relations, legal services, risk management, marketing, financial services and information systems and technology.

Since the July Order, CenterPoint has announced that it will remain a registered holding company under the Act. In its order dated June 30, 2003 (Holding Company Act Release No. 35–27692), the Commission noted that CenterPoint intended to form a service company and granted CenterPoint interim authority to continue to provide goods and services to its subsidiaries through December 31, 2003 (the “Interim Period”).

#### **II. Request To Form the Service Company and Provide Services**

##### **A. Summary of Requests**

The Application seeks the authorization and approval by the Commission of the provision of intra-system services and goods following the expiration of the Interim Period, under section 13 of Act and the rules under the Act. Specifically, Applicants request that the Commission: (1) Approve the formation and capitalization of CenterPoint Energy Service Company, LLC (the “ServiceCo”); (2) approve the designation of ServiceCo as a subsidiary service company in accordance with the provisions of rule 88 under the Act and find that ServiceCo is organized and will conduct its operations so as to meet the requirements of section 13 of the Act and the rules under the Act; (3) approve the master services agreement in the form attached as Exhibit B–1 to the Application (the “Master Services Agreement”), and the form of service agreement for services rendered by system companies; and (4) authorize, to the extent not exempt under rules 81 and 87, CenterPoint and certain CenterPoint subsidiaries providing certain services and goods to associate companies.

##### **B. Services Provided by ServiceCo**

Applicants request authorizations with respect to the activities of ServiceCo, which will be formed in Texas as a limited liability company wholly-owned by Holdings, as the

<sup>3</sup> KEM is a wholly-owned subsidiary of KeySpan Business Solutions LLC, which is a wholly-owned subsidiary of KeySpan Services Inc. KeySpan Services is a wholly owned subsidiary of KeySpan Energy Corporation, which is a wholly-owned subsidiary of KeySpan.

<sup>4</sup> By Commission order dated April 24, 2003 (HCAR No. 27670) the Commission found these activities to be functionally related to KeySpan’s integrated gas and electric operations and retainable.